MARKETS TODAY

Friday, July 10, 2020

MARKETS IN BRIEF

- Global stocks slipped on Friday, paring the week's advance as a surge in China cooled and concern resurfaced that rising coronavirus cases will hurt the global economic recovery. Hong Kong bore the brunt of losses, falling more than 2%, as a spike in new infections left the government set to close schools. Chinese megacap shares plunged after two state-backed funds trimmed their holdings in a sign Beijing aims to slow a rally that added about $1 trillion to equity values this week alone.
- Treasuries and U.S. dollar rose. Antipodean currencies fell and the yen rose as traders shunned risk and sought safe havens.
- Australian dollar also fell as local officials use lockdowns and border restrictions to contain a sudden increase in coronavirus cases.
- Gold was set for a fifth straight weekly gain on Friday as worries over a spike in US coronavirus cases kept the safe-haven metal near the technical $1,800/ounce threshold.
- Oil prices traded lower due to concerns about a long-term decline in global energy demand.
- In the U.S., financial companies were among the worst performers on the S&P 500 las Wells Fargo prepared to cut thousands of jobs. Dow Jones's loss exceeded 1.3% as Boeing dropped. The Nasdaq hit a record high advanced as big tech stocks rose.

IEA warning oil demand at risk

The IEA bolstered its outlook for global oil demand, but warned that the recovery could be derailed by the resurgence of coronavirus. A collapse in fuel consumption during Q2 was slightly less severe than previously estimated, and demand should rebound sharply over the next three months as economic activity resumes, the agency said in a monthly report. Bloated inventories will diminish as OPEC and its allies persevere with vast production cuts, it predicted. Yet a flare-up of the virus, which is raging across several US states and re-emerging in Asia, is "casting a shadow over the outlook," the IEA cautioned. "The large, and in some countries, accelerating number of cases is a disturbing reminder that the pandemic is not under control and the risk to our market outlook is almost certainly to the downside,".

FX & COMMODITIES	LAST	1D
EUR/$	1.1289	0.04%
GBP/$	1.2597	-0.09%
AUD /$	0.6945	-0.29%
$/JPY	106.76	0.41%
$/CAD	1.3613	-0.21%
Gold $	1806.08	0.12%
WTI $	38.79	-2.04%
BRENT $	41.63	-1.77%
AMERICA		
DOW JONES	25706.09	-1.39%
S&P 500	3152.05	-0.56%
NASDAQ	10547.75	0.53%
EUROPE		
STXE 600	363.64	-0.77%
CAC 40	4921.01	-1.21%
DAX	12489.46	-0.04%
ASIA PACIFIC		
S&P/ASX 200	5919.22	-0.61%
NIKKEI 225	22290.81	-1.06%
CSI 300 (China)	4753.13	-1.81%
MENA		
Saudi Arabia	7416.67	0.30%
Dubai	2082.19	-0.05%
Qatar	9316.44	0.99%
BONDS		
U.S. 10-year	0.5759	-0.0376
German Bund 10-yr	-0.4830	-0.0200
AU 10-year	0.8580	-0.0400

$2.1 trillion in costs

Global banks face combined loan losses of $2.1tn by the end of 2021 as a result of the coronavirus crisis, credit ratings agency S&P Global estimates, with a hit of $1.3tn this year more than doubling the 2019 level. Around 60% of the losses are likely to be in Asia-Pacific S&P said on Thursday, although the highest relative increases - at more than double on average compared with 2019 - will occur in N. America and W. Europe. "We estimate that the top 200 rated banks represent about two-thirds of global bank lending," a group of S&P's top analysts said in a new report.

Hong Kong to suspend all schools

Hong Kong's Education Bureau on Friday announced the suspension of all schools from Monday after a spike in locally transmitted coronavirus cases that has fueled fears of a renewed community spread in the city. Schools in the Asian financial hub have been mostly shut since February with many having switched to online learning and lessons by conference call. Many international schools are already on summer break. The city reported 42 new cases on Thursday, of which 34 were locally transmitted, marking the second consecutive day of rising local infections.

U.S. jobless claims falling

Even with fewer Americans applying for unemployment benefits last week, the labor-market outlook remains bleak. While initial jobless claims fell by the most in a month, according to Labor Department data Thursday, they're still double the highest level during the last recession. And further declines are in question after states including Texas and Florida delayed or walked back reopening plans amid a surge in Covid-19 infections. The jobs data showed initial jobless claims in regular state programs fell by 99,000 to 1.31mn in the week ended July 4.

BEIRUT S.E.	LAST	1D
SOLIDERE—A	14.23	**1.35%**
SOLIDERE—B	14.50	**3.72%**
BANK OF BEIRUT	18.80	-
BANK AUDI SAL	0.90	-
BLOM BANK	3.18	-
BYBLOS BANK	0.45	-
BLC BANK SAL	0.93	-
BANQUE BEMO SAL	1.20	-

FX & COMMODITIES

The Japanese yen rose to a 2-week high and risk-sensitive currencies slid on Friday after a surge in new coronavirus infections in the US further undermined the case for a quick turnaround in the economy. More than 60,000 new COVID-19 cases were reported across the US, the largest single-day tally by any country in the pandemic so far, discouraging some American consumers from returning to public spaces. Some Asian cities that had appeared to have contained the disease, such as Tokyo, Hong Kong and Melbourne, have seen an alarming spike in cases, dampening the mood further. The caution helped to drive the safe-haven yen by 0.25% to a two-week high of 106.93 per dollar. The dollar gained against most other currencies, with its index gaining about 0.1% to 96.773 from a near one-month low of 96.233 touched on Thursday. The Swiss franc, another safe-haven, flirted near a 6-week high against the euro, at 1.0619 franc per euro. Against the dollar, the franc changed hands at 0.9416 per dollar after having touched a 4-month high of 0.93625 to the dollar.

MARKETS TODAY

FX & COMMODITIES

The euro traded flat at $1.1289, slipping back from a 1-month high of $1.1371 on Thursday. Thursday's weekly data showed the number of Americans filing for initial jobless benefits dropped to a near 4-month low last week. Still, with companies from retailers to airlines announcing job cuts and furloughs, the outlook remained highly uncertain. There were 32.9mn people receiving unemployment checks, putting together all programs, in the third week of June, up 1.411mn from the middle of the month.

Many risk-sensitive currencies took a step back following their rally in recent weeks. The Australian dollar lost 0.5% to $0.6929, off Thursday's one-month high of $0.7001. The yuan was down about 0.2% at 7.0115 yuan per dollar , having touched near-four-month high of 6.9808 on Thursday. The Chinese currency has fared better than most other risk sensitive currencies this week, so far gaining almost 1%, supported by hopes of capital inflows as Chinese share prices have surged after Beijing indicated it wants a healthy bull market.

Gold was set for a fifth straight weekly gain on Friday as worries over a spike in US coronavirus cases kept the safe-haven metal near the technical $1,800-per-ounce threshold. Spot gold was little higher at $1,806 per ounce, up nearly 1.5% for the week. US gold futures rose 0.2% to $1,806.80.

Oil prices fell on Friday, adding to steep losses from the previous session, and were headed for weekly declines on worries that renewed lockdowns following a surge in coronavirus cases in the US and elsewhere could suppress fuel demand. Brent crude was down by 1.77%, at $41.63 a barrel after falling more than 2% on Thursday. US oil fell 2.04%, at $38.79 a barrel after a drop of 3% in the previous session. Brent looks set for a weekly decline of nearly 3% and US crude for a fall of around 4.5%. Trading was quiet with Singapore on holiday for an election. While many analysts are expecting economies and fuel demand to bounce back from the pandemic, record daily increases in coronavirus infections in the US, the world's biggest oil consumer, raised concerns about the pace of any recovery. Oil inventories remain bloated due to the evaporation of demand for gasoline, diesel and other fuels during the initial outbreak. US crude oil inventories rose by nearly 6mn barrels last week after analysts had forecast a decline of just over half that figure.

ECONOMIC CALENDAR

CURRENCY - TIME (LT)	EVENT	FCAST	PRIOR
CAD—15:30	Canada Employment Change	**700.0k**	**289.6k**
CAD—15:30	Canada Unemployment Rate	**12.0%**	**13.7%**
USD—15:30	US Core PPI MoM	**0.10%**	**-0.10%**
USD—15:30	US PPI MoM	**0.40%**	**0.40%**

Next Week: *BoE Gov. Bailey speaks, China Trade Balance, UK GDP, US CPI, BoJ Outlook Report, UK CPI, US Industrial Production, Canada BoC Policy Decision + Press Conference, US Fed Beige Book, NZ CPI, AU Jobs Report, China GDP, Retail Sales, ECB policy Decision + Press Conference, US Retail Sales*

CURRENCIES	LAST	1D	YTD
DXY	96.773	0.09%	0.41%
EUR/$	1.1289	0.04%	0.68%
GBP/$	1.2597	-0.09%	-4.99%
AUD /$	0.6945	-0.29%	-1.10%
NZD/$	0.6561	-0.17%	-2.69%
$/JPY	106.76	0.41%	1.73%
$/CAD	1.3613	-0.21%	-4.58%
$/CHF	0.9416	-0.17%	2.64%
$/SEK	9.2144	0.23%	1.62%
$/NOK	9.4906	-0.24%	-7.43%
$/DKK	6.5976	0.04%	0.98%
$/TRY	6.8658	-0.06%	-13.32%
EUR/GBP	0.8962	-0.13%	-5.62%
EUR/JPY	120.53	0.38%	1.04%
EUR/CHF	1.0630	-0.19%	2.13%
COMMODITIES	**LAST**	**1D**	**YTD**
Gold Spot $/Oz	1806.08	0.12%	19.02%
Silver Spot $/Oz	18.67	0.05%	4.53%
Platinum Spot $/Oz	841.08	0.39%	-13.00%
Palladium Spot $/Oz	1949.04	-0.02%	0.17%
COPPER $/lb	285.05	0.41%	1.06%
WTI $/bbl	38.80	-2.04%	-36.44%
BRENT $/bbl	41.63	-1.77%	-36.97%

EQUITIES & BONDS

World stocks and oil prices were faltering on Friday as record-setting new coronavirus cases in several US states led to worries that more lockdowns may be necessary, making a quick economic recovery unlikely. The upcoming Q2 earnings season, expected to be the worst for Europe and the US since the 2008/09 financial crisis, added to the woes, pushing investors to chase safe-haven assets, such as US Treasuries and the yen. European stocks declined 0.3%, taking cues from Asia, where China ended its rally. Shares in China fell 1.8% from a 5-year high, as state media discouraged retail investors from chasing the market higher. MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.3%. Australian stocks declined by 0.6% as an extension of loan-payment deferrals hit the banking sector. Japanese stocks were down by 1.1%. The e-mini futures for the S&P 500 erased early gains to trade down 0.6%. Mainland China shares fell on Friday for the first time since June 29. Shares had surged to the highest since 2015 on Thursday, fueled by retail investor enthusiasm and policy support, even as regulators cracked down on margin financing and as state media warned of market risks. State funds also said they would reduce equity holdings, which investors interpreted as a another sign that Beijing prefers to take some steam out of the recent stock rally. In addition, the US on Thursday imposed sanctions on the highest-ranking Chinese official yet over alleged human rights abuses against the Uighur Muslim minority, a move likely to further ratchet up tensions between Washington and Beijing.

EQUITIES & BONDS

In the US, the S&P 500 and Dow dropped on Thursday as investors worried about another round of business shutdowns to contain a surge in coronavirus cases and began to shift their focus to earnings, while the Nasdaq hit another record closing high. The US saw more than 60,000 new COVID-19 infections on Wednesday, setting a single-day global record while Florida and Texas reported a record one-day increase in deaths. Investors also began to turn their focus to the Q2 earnings season, which shifts into higher gear next week. S&P 500 companies are expected to post a more than 40% decline in year-over-year earnings, which would be the biggest quarterly profit drop since the 2008 financial crisis, based on IBES data from Refinitiv. Walgreens Boots Alliance Inc shares dropped after it reported a quarterly loss compared with a profit a year earlier, hurt by non-cash impairment charges of $2bn as COVID-19 disrupted business at its Boots UK division. Its stock closed 7.8% lower. The Nasdaq registered its fifth record closing high in six days, helped by gains in Amazon.com, Microsoft Corp, Nvidia, Apple Inc. Also, Tesla extended recent gains, ending up 2.1%. The benchmark S&P 500 is still up more than 40% from its March 23 closing low. Helping stocks early in the day was data showing the number of Americans filing for jobless benefits dropped to a near four-month low last week. A record 32.9mn people though were collecting unemployment checks in the third week of June. A batch of upbeat economic data including the record pace of job additions in June has underscored that the stimulus-fueled domestic economy was on the path to recovery. In a bullish signal for near-term momentum, the benchmark S&P 500's chart formed a "golden cross" pattern, in which its 50-day moving average vaulted above the 200-day moving average.

In the MENA region, broad-based gains pushed the Qatari bourse higher on Thursday, with financial stocks leading the pack, whereas a wide sell-off pulled down Egypt's blue-chip share index. The Qatari index advanced 1%, as most of its constituents ended higher. Qatar National Bank, the Gulf's biggest lender, gained 2.8%, while petrochemical firm Industries Qatar added 1.9%.

COMPANY NEWS HEADLINES

- The London Stock Exchange and other derivatives clearing houses in Britain will be granted temporary access to the EU from January 2021, the bloc's executive European Commission said on Thursday.
- Volkswagen's labour chief Bernd Osterloh has been on a roadshow to tell analysts and investors the carmaker has no need for deeper cost cuts in Germany.
- British engineer Senior Plc said on Friday it laid off another 12% of its staff and forecast a drop of about 30% in revenue for the first half as it deals with a steep downturn in the aerospace industry.
- Harley-Davidson Inc on Thursday said it will lay off 500 employees this year as part of new CEO Jochen Zeitz's efforts to revive the struggling motorcycle maker.
- British engineer Senior Plc said on Friday it laid off another 12% of its staff and forecast a drop of about 30% in revenue for the first half as it deals with a steep downturn in the aerospace industry.
- British engineer Senior Plc forecast a steep drop in first-half revenue on Friday and laid off another 12% of its staff as it deals with a downturn in the aerospace industry.
- Mexico's government on Thursday ruled out a financial rescue of the country's airlines, which have been hammered by a sharp drop in global demand for travel and restrictions imposed due to the coronavirus pandemic.
- Ford Motor Co. could have to shut down factories in the US next week if they don't receive engines produced for their cars in Mexico's Chihuahua state, the US Ambassador to Mexico Christopher Landau said on Thursday.
- WeRide, a Chinese autonomous vehicle startup, said on Friday it has become the first autonomous company to start fully driverless vehicle testing in China, as the world's biggest auto market accelerates development of autonomous technologies.

AMERICA	LAST	1D	YTD
DOW JONES	25706.09	-1.39%	-9.92%
S&P 500	3152.05	-0.56%	-2.44%
NASDAQ	10547.75	0.53%	17.56%
S&P/TSX	15568.64	-0.39%	-8.76%
EUROPE	**LAST**	**1D**	**YTD**
STXE 600	363.64	-0.77%	-12.55%
FTSE 100	6049.62	-1.73%	-19.79%
CAC 40	4921.01	-1.21%	-17.68%
DAX	12489.46	-0.04%	-5.73%
ASIA PACIFIC	**LAST**	**1D**	**YTD**
S&P/ASX 200	5919.22	-0.61%	-11.44%
NIKKEI 225	22290.81	-1.06%	-5.77%
TOPIX	1535.20	-1.42%	-10.81%
CSI 300 (China)	4753.13	-1.81%	16.03%
MENA	**LAST**	**1D**	**YTD**
Saudi Arabia	7416.67	0.30%	-11.59%
Abu Dhabi	4295.48	-0.38%	-15.37%
Dubai	2082.19	-0.05%	-24.69%
Qatar	9316.44	0.99%	-10.64%
10-YEAR BONDS	**LAST**	**1D**	**YTD**
U.S.	0.5759	-0.0376	-1.3416
Germany	-0.4830	-0.0200	-0.2980
U.K.	0.1360	-0.0220	-0.6860
Australia	0.8580	-0.0400	-0.5120

TOP SELECTED NEWS

ECB seen boosting stimulus by December to aid fledgling recovery

(Bloomberg) The European Central Bank isn't done expanding its bond-buying program yet, according to economists, despite recent remarks by policy makers that the outlook has brightened slightly. More than half of respondents in a Bloomberg survey predict an increase in the ECB's 1.35tn-euro pandemic purchase program ($1.5tn) by December, with most expecting an extension and a top-up of 500bn euros. The Governing Council is seen keeping its policy unchanged when it meets next week. Expectations that the ECB will need to do more highlight the extraordinary uncertainty surrounding the recovery from the crisis. While officials have said the latest data point to a relatively sharp bounceback, they also stressed theeuro-zone economy is still on course for its biggest contraction ever -- almost 9% this year -- and the extent of damage to companies and labor markets is still hard to judge.

UK retailers cut staff after Chancellor pledged to save jobs

(Bloomberg) UK retailers Boots and John Lewis joined Rolls-Royce Holdings Plc in detailing plans to cut more than 8,000 workers due to the coronavirus pandemic, a day after Chancellor of the Exchequer Rishi Sunak unveiled measures he said would save jobs. Walgreens Boots Alliance Inc., the owner of the 170-year-old Boots pharmacy

TOP SELECTED NEWS

chain, said Thursday it plans to eliminate 4,000 positions and trim headcount in its UK support office by an additional 20%, citing a “dramatic reduction” in people visiting the company’s stores in the country. The company will close 48 Boots Opticians stores and said it had furloughed more than 16,000 UK employees at the peak of the health crisis, temporarily shutting some outlets and decreasing store hours. In a second blow to Britain’s main shopping streets, The John Lewis Partnership Plc -- which also owns the upmarket grocer Waitrose -- said it would permanently shut eight stores with the loss of as many as 1,300 jobs.

Libor deadline under threat from contracts outliving the rate

(Bloomberg) Up to half the assets and derivatives tied to Libor are set to mature after the rate expires, global financial authorities warned, further complicating plans to phase out the discredited benchmark. Traders’ continued reliance on the London Interbank Offered Rate “poses clear risks to global financial stability,” the Financial Stability Board and Basel Committee on Banking Supervision said in a report to the Group-of-20. Hundreds of billions of dollars worth of floating-rate notes in pounds, dollars, Japanese yen and other currencies could outlive the rate when it retires at the end of 2021, the bodies said, underscoring just how embedded Libor still is in the financial system. They declined to say how much the instruments that will mature after the deadline are worth in total.

US to announce, but defer, retaliation over French digital tax: USTR

(Reuters) The Trump administration will announce actions against France over its digital services tax but will defer them while France defers tax collections from US technology firms, US Trade Representative Robert Lighthizer said on Thursday. The actions, expected by industry to be announced on Friday, are tied to a US Section 301 probe into France’s digital tax, which Washington says discriminates against US tech firms such as Google, Facebook and Apple Inc. The US last month withdrew from multilateral talks to reach a global solution on digital services taxation, citing a lack of progress in the negotiations.

Surging truck sales boost China's auto sector revival in June as economy upshifts

(Reuters) Auto sales in China rose 11.6% in June from a year earlier to 2.3mn units, driven largely by strong demand for trucks and other commercial vehicles as Beijing ramps up infrastructure spending to revive the economy. In a further sign the world's largest auto market is recovering from coronavirus lockdowns, auto wholesales in June rose for the third straight month to 2.3mn units, according to data from the China Association of Automobile Manufacturers (CAAM), the country's largest auto industry body. Sales of trucks, vans and other commercial vehicles, which constitute for around a quarter of overall market, surged 63% on-year, while sales of passenger vehicles rose only 1.8%.

China bank lending hits record $1.73 trillion in first half after solid June

(Reuters) New bank lending in China rose 22.3% in June from May as authorities continued to boost credit and ease policy to get the world’s second-largest economy humming again after a sharp coronavirus-induced contraction. Chinese banks extended 1.81tn yuan ($258.29bn)in new yuan loans in June, up from 1.48tn yuan in May and slightly exceeding analysts’ expectations, according to data released by the People’s Bank of China (PBOC) on Friday. That pushed bank lending in the first half of this year to a record 12.09tn yuan, beating a previous peak of 9.67tn yuan in the first half of 2019, the data showed.

India's Reliance to load Venezuelan oil cargo under fuel swap deal: sources

(Reuters) India’s Reliance will load its first cargo of Venezuelan crude in three months this week in exchange for diesel under a swap deal the parties say is permitted under the US sanctions regime on the Latin American country, according to a Reliance source and a shipping document from state oil firm PDVSA. Washington has exempted some Venezuelan oil trade from sanctions, when transactions are in exchange for fuel and food or to repay debts rather than for cash. But that trade slowed as the US tightened restrictions and refiners, shippers and insurers have been steering clear of Venezuela to avoid any risk they may fall foul of sanctions.

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GLOBAL MARKETS DIVISION

treasury@bankofbeirut.com.lb

+961 1 960 501

PRIVATE BANKING DEPARTMENT

privatebanking@bankofbeirut.com.lb

+961 1 960 531/2/3